



DEPARTAMENTO DE HACIENDA
GOBIERNO DE PUERTO RICO



Compliance Certificate of New Joint Resolution Pursuant to 48 U.S.C. §2144(2)(B)

Legislative Measure Number:

- Act No. 29-2019 ("Act 29"), herein attached.

Title of the Legislative Measure:

- To establish the "Act for Reductions of the Administrative Burdens of the Municipalities", for purposes of reducing the administrative burden of the municipalities concerning the fees they pay for the government health plan and the "Pay as you Go" system; to amend Section 9 of Article VI of the "Puerto Rico Health Insurance Administration Act", Act 72-1993, as amended, and Article 3.5 of the "Act to Guarantee the Payment of Pension Benefits to our Retirees and to Establish a New Defined Contribution Plan for Public Employees", Act 106-2017, as amended, to make viable the reduction of such burdens; and for other related purposes.

Impact of the Legislative Measure on Fiscal Plan:

- Act 29 establishes the reduction of administrative burdens of the municipalities in connection with their payments to the health plan of the Government of Puerto Rico and the "Pay as you Go" system.
- Historically, the municipalities have carried partial responsibility for the payment of the health plan of the Government in order to cover the need for health services. This structure was designed decades ago taking into consideration that, at that time, municipalities provided health services later assumed by the Central Government.
- Notwithstanding the foregoing, it should be noted that providing health services to the citizens of Puerto Rico under the State Medicaid Plan is a responsibility of the Central Government. This is also the standard nationwide.
- The reality is that the municipalities have been able to cover the payment of the health plan of the Government because of the direct payments they received in the past from the Central Government.
- Given that the municipalities face reductions and elimination of the direct payments they receive from the Central Government, as provided in the Fiscal Plan, Act 29 sets forth the mechanism for the Central Government to assume its obligations in accordance with current law (ie. guarantee Pay-Go payments pursuant to Article 1.4 of Act 106-2017).
- Based on the foregoing, the Government in its budget has taken into consideration the costs of assuming its responsibility of providing health services to the citizens of Puerto Rico. Furthermore, funding could also be provided through any upcoming legislation at the federal level for the provision of additional federal funding.



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- As for the payments to the "Pay as you Go" system, it should be noted that the municipalities are government institutions whose powers are mostly determined by law. Therefore, the Legislative Assembly also has the power to determine by law which burdens will be imposed on the municipalities. It is in the exercise of such powers that the Legislative Assembly enacted this Act.
- Furthermore, the Government in its budget has taken into consideration the costs of assuming the payments to the "Pay as you Go" system.
- Pursuant to Act 106-2017, the General Fund guarantees the Pay-Go payments, so the total amount of such payments is budgeted and has to be collected regardless of the Pay-Go payments made by the municipalities.
- For the reasons stated above, Act 29 has no incremental impact on the New Fiscal Plan for Puerto Rico.

Estimate of Impact of the Legislative Measure on Expenditures and Revenues:

- Act 29 has an impact on the budget of the Health Insurance Administration ("ASES", for its Spanish acronym) of approximately \$119.7 million for Fiscal Year 2020, and \$161.6 million for each fiscal year from 2021 to 2024.
- As for the "Pay as you Go" system, Act 29 has an impact of approximately \$166 million for Fiscal Year 2020. An actuarial study has been requested to determine the impact on expenditures for subsequent fiscal years.
- Notwithstanding the foregoing, said impact will not be incremental, because these expenditures will be covered using budgeted resources and other measures in response to possible additional federal funding in Fiscal Year 2020, and are already required expenditures under the Pay-Go framework set forth in Act 106-2017.

Determination of the Legislative Measure's Compliance with the Fiscal Plan:

- Act 29 is not significantly inconsistent with the New Fiscal Plan for Puerto Rico.

Conclusion:

- For the reasons stated before, Act 29 complies with the requirements set forth in 48 U.S.C. §2144(2)(B).